

**TOWNSHIP OF MARENISCO  
GOGEbic COUNTY  
FINANCIAL REPORT  
With Supplemental Information**

**March 31, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                                   |   |                          |
|--|-----------------------------------|---|--------------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                                   | Local Unit Name<br><b>Marenisco Township</b>              | County<br><b>Gogebic</b> |
| Fiscal Year End<br><b>3/31/2007</b>  | Opinion Date<br><b>10/18/2007</b> | Date Audit Report Submitted to State<br><b>11/10/2007</b> |                          |

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☐ ☒ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |   |  |   |
|--|---|--|---|
| <b>We have enclosed the following:</b>   | Enclosed                                    | Not Required (enter a brief justification) |   |
| Financial Statements   | <input checked="" type="checkbox"/>         |  |   |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/>         |  |   |
| Other (Describe)   | <input type="checkbox"/>                    |  |   |
| Certified Public Accountant (Firm Name)<br><b>Roger J. Kolehmainen PC</b>  |   | Telephone Number<br><b>906 932-3600</b>    |   |
| Street Address<br><b>1445 East Cloverland Drive</b>  |   | City<br><b>Ironwood</b>                    | State<br><b>MI</b>                          |
|  |   | Zip<br><b>49938</b>                        |   |
| Authorizing CPA Signature<br> | Printed Name<br><b>Roger J. Kolehmainen</b> |  | License Number<br><b>1101011820 1517066</b> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWNSHIP OF MARENISCO  
(Unaudited)  
Year ended March 31, 2007

**Management's Discussion and Analysis**

This section of the Township of Marenisco's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2007.

**Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by Federal and State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWNSHIP OF MARENISCO**  
(Unaudited)

**Fund Financial Statements**

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains four governmental funds. Information is presented separately in the government fund balance sheets and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Fire Fund, Ambulance Fund (considered major funds) and the Township's Special Revenue Funds – Building Permit Fund and Liquor Fund (considered non-major funds). The Township adopts an annual budget for the general fund and other funds with the exception of the Fire Fund. To demonstrate general fund budget compliance, a budgetary comparison statement has been provided and is included in the "Required Supplemental Information" section of this report. Budgetary comparisons for other individual funds are presented under the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWNSHIP OF MARENISCO  
(Unaudited)

**Proprietary Funds**

Proprietary Funds provide services for which the Township charges customers a fee. The Township has two proprietary fund types- enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Funds is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

**Notes to Financial Statements**

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

**Government-wide Financial Statements-Condensed Financial Information**

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2007 and 2006.

|                       |                    | <u>March 31, 2007</u> |                    |
|-----------------------|--------------------|-----------------------|--------------------|
|                       | Governmental       | Primary Government    |                    |
| ASSETS                | <u>Activities</u>  | <u>Business-Type</u>  | <u>Total</u>       |
| Current Assets:       |                    |                       |                    |
| Cash and other assets | \$217,201          | \$263,727             | \$480,928          |
| Other assets          | 273,565            | 58,901                | 332,466            |
| Non-current Assets    |                    |                       |                    |
| Restricted cash       | 106,961            | 87,400                | 194,361            |
| Capital Assets, net   | 719,191            | 2,202,651             | 2,921,842          |
| <b>TOTAL ASSETS</b>   | <b>\$1,316,918</b> | <b>\$2,612,679</b>    | <b>\$3,929,597</b> |

MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWNSHIP OF MARENISCO  
(Unaudited)

|   | Governmental      | Primary Government<br>Business-Type |              |
|---|-------------------|-------------------------------------|--------------|
|   | <u>Activities</u> | <u>Activities</u>                   | <u>Total</u> |
| LIABILITIES   |                   |                                     |              |
| Current Liabilities                                 | \$81,607          | \$91,635                            | \$173,242    |
| Non-current Liabilities                             | 94,133            | 783,940                             | 878,073      |
| TOTAL LIABILITIES                                   | 175,740           | 875,575                             | 1,051,315    |
| NET ASSETS  |                   |                                     |              |
| Investment in capital<br>assets net of related debt | 711,163           | 1,392,872                           | 2,104,035    |
| Restricted  | 207,221           | 87,400                              | 294,621      |
| Unrestricted  | 222,794           | 256,832                             | 479,626      |
| Total Net Assets                                    | 1,141,178         | 1,737,104                           | 2,878,282    |
| TOTAL LIABILITIES<br>AND NET ASSETS                 | \$1,316,918       | \$2,612,679                         | \$3,929,597  |

For governmental activities, net assets decreased by \$73,321 during the fiscal year. For business-type activities, net assets decreased by \$33,440 during the year.

|                       | Governmental      | Primary Government<br>Business-Type |              |
|-----------------------|-------------------|-------------------------------------|--------------|
|                       | <u>Activities</u> | <u>Activities</u>                   | <u>Total</u> |
| ASSETS                |                   |                                     |              |
| Current Assets:       |                   |                                     |              |
| Cash and other assets | \$292,920         | \$261,437                           | \$554,357    |
| Other assets          | 459,247           | 46,917                              | 506,164      |
| Non-current Assets    |                   |                                     |              |
| Restricted cash       | 103,226           | 87,400                              | 190,626      |
| Capital Assets, net   | 760,281           | 2,284,103                           | 3,044,384    |
| TOTAL ASSETS          | \$1,615,674       | \$2,679,857                         | \$4,295,531  |

|   |             |             |             |
|---|-------------|-------------|-------------|
| LIABILITIES   |             |             |             |
| Current Liabilities                                 | \$366,778   | \$107,373   | \$474,151   |
| Non-current Liabilities                             | 34,397      | 801,940     | 836,337     |
| TOTAL LIABILITIES                                   | 401,175     | 909,313     | 1,310,448   |
| NET ASSETS  |             |             |             |
| Investment in capital<br>assets net of related debt | 432,416     | 1,457,936   | 1,890,352   |
| Restricted  | 194,940     | 87,400      | 282,340     |
| Unrestricted  | 587,143     | 225,208     | 812,351     |
| Total Net Assets                                    | 1,214,499   | 1,770,544   | 2,985,043   |
| TOTAL LIABILITIES<br>AND NET ASSETS                 | \$1,615,674 | \$2,679,857 | \$4,295,531 |



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWNSHIP OF MARENISCO**  
(Unaudited)

**Results of Operations**

The results of operations for Marenisco Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2007 and 2006.

|                                   | Governmental<br>Activities | <u>March 31, 2007</u><br>Business-Type<br>Activities | <u>Total</u> |
|-----------------------------------|----------------------------|--|--------------|
| <b>REVENUES:</b>                  |                            |  |              |
| Program Revenues:                 |                            |  |              |
| Charges for services              | \$167,125                  | \$147,354  | \$314,479    |
| General Revenue:                  |                            |  |              |
| Property taxes                    | 320,898                    |  | 320,898      |
| State and federal grants          | 104,283                    |  | 104,283      |
| Other                             | 13,811                     | 8,827  | 22,638       |
| Total Revenue                     | \$606,117                  | \$156,181  | \$762,298    |
| <b>EXPENSES:</b>                  |                            |  |              |
| Program Expenses:                 |                            |  |              |
| Governmental activities           | \$679,438                  |  | \$679,438    |
| Business-type activities          |                            | \$189,621  | 189,621      |
| Total Expenses                    | \$679,438                  | \$189,621  | \$869,059    |
|                                   |                            |  |              |
| Increase (Decrease) in Net Assets | (\$73,321)                 | (\$33,440)   | (\$106,761)  |
| Net Assets, Beginning of Year     | 1,214,499                  | 1,770,554  | 2,985,043    |
| Net Assets, End of Year           | \$1,141,178                | \$1,737,104  | \$2,878,282  |

|                                   | Governmental<br>Activities | <u>March 31, 2006</u><br>Business-Type<br>Activities | <u>Total</u> |
|-----------------------------------|----------------------------|--|--------------|
| <b>REVENUES:</b>                  |                            |  |              |
| Program Revenue:                  |                            |  |              |
| Charges for services              | \$114,751                  | \$149,729  | \$264,480    |
| General Revenue:                  |                            |  |              |
| Property taxes                    | 317,552                    |  | 317,552      |
| State and federal grants          | 334,699                    |  | 334,699      |
| Other                             | 61,034                     | 5,321  | 66,355       |
| Total Revenue                     | \$828,036                  | \$155,050  | \$983,086    |
| <b>EXPENSES:</b>                  |                            |  |              |
| Program Expenses:                 |                            |  |              |
| Governmental activities           | \$517,193                  |  | \$517,193    |
| Business-type activities          |                            | \$200,726  | 200,726      |
| Total Expenses                    | \$517,193                  | \$200,726  | \$717,919    |
| Increase (Decrease) in Net Assets | \$310,843                  | (\$45,676)   | \$265,167    |
| Net Assets, Beginning of Year     | 903,656                    | 1,816,220  | 2,719,876    |
| Net Assets, End of Year           | \$1,214,499                | \$1,770,544  | \$2,985,043  |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**TOWNSHIP OF MARENISCO**  
(Unaudited)

**Governmental Activities**

Property taxes and other tax revenues comprise \$320,898 or approximately 53 percent of total governmental revenues. The Township also collected \$167,125 for services provided. And, at year end, the Township reported \$104,283 in Federal and State Shared revenues.

The Township expended \$679,438 on governmental programs and services. Some of the largest expense categories were for general government and public safety where \$378,081 (56%) and \$233,472 (34%), respectively, were reported.

**Business-Type Activities**

Business-type activities decreased the Township's net assets by \$33,440. Charges for services for water and sewer activities for the year were \$147,354 and operating expenditures amounted to \$189,621.

**Financial Analysis of Governmental Funds**

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

**Governmental Funds**

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$536,317 of which \$207,221 is reserved and the remaining \$244,131 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with actual revenues exceeded expenditures by \$13,123.

**Proprietary Fund**

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOWNSHIP OF MARENISCO  
(Unaudited)

Unrestricted net assets of the Water and Sewer Funds as of March 31, 2007 were \$117,385 and \$139,447 respectively.

**Capital Assets and Debt Administration**

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2007 was \$2,921,842.

Major capital expenditures for governmental funds were for Township's real property improvements, road work and various equipment purchases. The business-type activity, water fund, incurred capital expenses in extending water lines.

The Township had \$915,270 of long-term liabilities as of March 31, 2007, of which \$37,197 is reclassified as a short term liability. The amount consists of revenue bonds payable to USDA Rural Development Agency of \$800,940; capital lease and installment loans of \$29,124; unfunded prior service pension costs of \$63,219; and accrued leave benefits of \$21,987.

**Other Economic Factors and Next Years Budget**

**Economic Factors**

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

**Request for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
Township of Marenisco  
314 Hall Street  
Marenisco, MI

**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 932-3600

## INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Marenisco Township  
Marenisco, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Marenisco Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

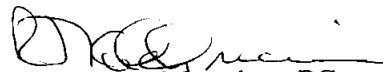
We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Marenisco Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 18, 2007, on our consideration of Marenisco Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marenisco Township's basic financial statements. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC  
Certified Public Accountant

Ironwood, Michigan  
October 18, 2007

**TOWNSHIP OF MARENISCO**  
**STATEMENT OF NET ASSETS**  
March 31, 2007

|   | <b><u>Government</u></b><br><b><u>Activities</u></b> | <b><u>Business – type</u></b><br><b><u>Activities</u></b> | <b><u>Totals</u></b> |
|---|--|---|----------------------|
| <b>ASSETS</b>                                     |  |   |                      |
| Current Assets:                                   |  |   |                      |
| Cash and cash equivalents                         | \$217,201  | \$263,727   | \$480,928            |
| Accounts receivable-net                           | 59,570   | 28,962  | 88,532               |
| Delinquent taxes receivable                       | 25,301   |   | 25,301               |
| Due from other funds                              | 173,214  | 11,313  | 184,527              |
| Accrued interest income                           | 345  | 854   | 1,199                |
| Deferred charges                                  | 15,135   | 6,271   | 21,406               |
| Inventory (at cost )                              |  | 11,501  | 11,501               |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>\$490,766</b>                                     | <b>\$322,628</b>  | <b>\$813,394</b>     |
| RESTRICTED ASSETS:                                |  |   |                      |
| Restricted cash                                   | 106,961  | 87,400  | 194,361              |
| NON-CURRENT ASSETS:                               |  |   |                      |
| Capital assets                                    | 1,715,276  | 3,863,618   | 5,578,894            |
| Accumulated depreciation                          | (996,085)  | (1,669,806)   | (2,665,891)          |
| Loan acquisition costs-net                        |  | 8,839   | 8,839                |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | <b>719,191</b>                                       | <b>2,202,651</b>  | <b>2,921,842</b>     |
| <b>TOTAL ASSETS</b>                               | <b>\$1,316,918</b>                                   | <b>\$2,612,679</b>  | <b>\$3,929,597</b>   |
| <b>LIABILITIES</b>                                |  |   |                      |
| Current Liabilities:                              |  |   |                      |
| Accounts payable                                  | \$40,229   | \$2,952   | \$43,181             |
| Accrued wages/taxes                               | 21,181   | 501   | 21,682               |
| Accrued interest payable                          |  | 2,075   | 2,075                |
| Due to other funds                                |  | 58,933  | 58,933               |
| Customer deposits                                 |  | 10,174  | 10,174               |
| Current maturity on long-term debt                | 20,197   | 17,000  | 37,197               |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>\$81,607</b>                                      | <b>\$91,635</b>   | <b>\$173,242</b>     |
| NON-CURRENT LIABILITIES                           |  |   |                      |
| Bonds payable                                     |  | 800,940   | 800,940              |
| Loans /leases payable                             | 29,124   |   | 29,124               |
| Accrued compensated absences                      | 21,987   |   | 21,987               |
| Pension liabilities                               | 63,219   |   | 63,219               |
| Current maturity on long-term debt                | (20,197)   | (17,000)  | (37,197)             |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>94,133</b>  | <b>783,940</b>  | <b>878,073</b>       |
| <b>TOTAL LIABILITIES</b>                          | <b>\$175,740</b>                                     | <b>\$875,575</b>  | <b>\$1,051,315</b>   |
| <b>NET ASSETS</b>                                 |  |   |                      |
| Investment in capital assets, net of related debt | \$711,163  | \$1,392,872   | \$2,104,035          |
| Reserved  | 207,221  | 87,400  | 294,621              |
| Unreserved  | 222,794  | 256,832   | 479,626              |
| <b>TOTAL NET ASSETS</b>                           | <b>\$1,141,178</b>                                   | <b>\$1,737,104</b>  | <b>\$2,878,282</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <b>\$1,316,918</b>                                   | <b>\$2,612,679</b>  | <b>\$3,929,597</b>   |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
STATEMENT OF ACTIVITIES  
Year Ended MARCH 31, 2007

| Functions/Programs               | <u>Expenses</u>  | <u>Program Revenues</u> | <u>Net (Expense) Revenue</u> |
|----------------------------------|------------------|-------------------------|------------------------------|
| Governmental Activities          |                  |                         |                              |
| General government               | \$378,081        | \$22,346                | (\$355,735)                  |
| Public safety                    | 233,472          | 91,863                  | (141,609)                    |
| Public works                     | 27,055           | 52,916                  | 25,861                       |
| Recreation and culture           | 17,967           |                         | (17,967)                     |
| Other                            | 22,863           |                         | (22,863)                     |
| Total Governmental Activities    | <u>\$679,438</u> | <u>\$167,125</u>        | <u>(\$512,313)</u>           |
| Business-type Activities         |                  |                         |                              |
| Sewer                            | \$189,621        | \$147,354               | (\$42,267)                   |
| Total Business – type Activities | <u>\$189,621</u> | <u>\$147,354</u>        | <u>(\$42,267)</u>            |
| Total                            | <u>\$869,059</u> | <u>\$314,479</u>        | <u>(\$554,580)</u>           |

| Changes in Net Assets                | <u>Governmental Activities</u> | <u>Business – Type Activities</u> | <u>Total</u>       |
|--------------------------------------|--------------------------------|-----------------------------------|--------------------|
| Net (Expense) Revenue                | (\$512,313)                    | (\$42,267)                        | (\$554,580)        |
| General Revenues:                    |                                |                                   |                    |
| Property taxes                       | 320,898                        |                                   | 320,898            |
| Federal shared revenues              | 25,868                         |                                   | 25,868             |
| State-Shared revenues                | 78,415                         |                                   | 78,415             |
| Investment income                    | 6,061                          | 8,827                             | 14,888             |
| Other                                | 7,750                          |                                   | 7,750              |
| Total General Revenues and Transfers | <u>\$438,992</u>               | <u>\$8,827</u>                    | <u>\$447,819</u>   |
| Changes in Net Assets                | (\$73,321)                     | (\$33,440)                        | (\$106,761)        |
| Net Assets at Beginning of Year      | 1,214,499                      | 1,770,544                         | 2,985,043          |
| Net Assets at End of Year            | <u>\$1,141,178</u>             | <u>\$1,737,104</u>                | <u>\$2,878,282</u> |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2007

|  | <u>General</u>   | <u>Fire<br/>Funds</u> | <u>Ambulance</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Totals<br/>Governmental<br/>Funds</u> |
|--|------------------|-----------------------|------------------|---|--|
| <b>ASSETS</b>                              |                  |                       |                  |   |  |
| Current Assets:                            |                  |                       |                  |   |  |
| Cash and cash equivalents                  | \$137,245        | \$39,556              | \$40,400         | \$                                      | \$217,201                                |
| Accounts receivable-net                    | 42,329           |                       | 17,241           |   | 59,570                                   |
| Delinquent taxes receivable                | 25,301           |                       |                  |   | 25,301                                   |
| Due from other funds                       | 173,214          |                       |                  |   | 173,214                                  |
| Accrued interest income                    | 71               |                       | 274              |   | 345                                      |
| Deferred charges                           | 15,135           |                       |                  |   | 15,135                                   |
| <b>TOTAL CURRENT ASSETS</b>                | <b>\$393,295</b> | <b>\$39,556</b>       | <b>\$57,915</b>  | <b>\$</b>                               | <b>\$490,766</b>                         |
| NON-CURRENT ASSETS                         |                  |                       |                  |   |  |
| Restricted cash                            | 106,961          |                       |                  |   | 106,961                                  |
| <b>TOTAL NON-CURRENT ASSETS</b>            | <b>106,961</b>   |                       |                  |   | <b>106,961</b>                           |
| <b>TOTAL ASSETS</b>                        | <b>\$500,256</b> | <b>\$39,556</b>       | <b>\$57,915</b>  | <b>\$</b>                               | <b>\$597,727</b>                         |
| <b>LIABILITIES</b>                         |                  |                       |                  |   |  |
| Current Liabilities                        |                  |                       |                  |   |  |
| Accounts payable                           | \$31,098         | \$1,646               | \$7,485          | \$                                      | \$40,229                                 |
| Accrued wages/taxes                        | 17,806           |                       | 3,375            |   | 21,181                                   |
| <b>TOTAL CURRENT LIABILITIES</b>           | <b>\$48,904</b>  | <b>\$1,646</b>        | <b>\$10,860</b>  | <b>\$</b>                               | <b>\$61,410</b>                          |
| <b>TOTAL LIABILITIES</b>                   | <b>\$48,904</b>  | <b>\$1,646</b>        | <b>\$10,860</b>  | <b>\$</b>                               | <b>\$61,410</b>                          |
| <b>FUND EQUITY</b>                         |                  |                       |                  |   |  |
| Reserved                                   | 207,221          |                       |                  |   | 207,221                                  |
| Unreserved                                 | 244,131          | 37,910                | 47,055           |   | 329,096                                  |
| <b>TOTAL FUND BALANCES</b>                 | <b>\$451,352</b> | <b>\$37,910</b>       | <b>\$47,055</b>  | <b>\$</b>                               | <b>\$536,317</b>                         |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$500,256</b> | <b>\$39,556</b>       | <b>\$57,915</b>  | <b>\$</b>                               | <b>\$597,727</b>                         |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds \$536,317

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation: 719,191

Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds: (114,330)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$1,141,178

The accompanying notes are an integral part of the financial statements.



TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

Year ended March 31, 2007

|   | <u>General</u>          | <u>Fire Funds</u>      | <u>Ambulance</u>       | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|------------------------|------------------------|---|---|
| <b>REVENUES:</b>  |                         |                        |                        |   |   |
| Taxes   | \$290,843               | \$                     | \$                     | \$                                      | \$290,843                               |
| Other taxes   | 30,055                  |                        |                        |   | 30,055                                  |
| Tax administrative fees   | 22,346                  |                        |                        |   | 22,346                                  |
| Federal shared revenues   | 25,868                  |                        |                        |   | 25,868                                  |
| State shared revenues   | 78,415                  |                        |                        | 2,778                                   | 81,193                                  |
| Charges for services  | 52,916                  |                        | 78,458                 | 10,627                                  | 142,001                                 |
| Interest  | 4,945                   | 842                    | 274                    |   | 6,061                                   |
| Donations   |                         | 1,880                  |                        |   | 1,880                                   |
| Other revenue   | 5,870                   |                        |                        |   | 5,870                                   |
|   | <u>\$511,258</u>        | <u>\$2,722</u>         | <u>\$78,732</u>        | <u>\$13,405</u>                         | <u>\$606,117</u>                        |
| <b>EXPENDITURES</b>   |                         |                        |                        |   |   |
| Legislative   | \$104,184               | \$                     | \$                     | \$                                      | \$104,184                               |
| General government  | 206,961                 |                        |                        |   | 206,961                                 |
| Public safety   | 92,356                  | 16,385                 | 55,695                 | 12,333                                  | 176,769                                 |
| Public works  | 40,144                  |                        |                        |   | 40,144                                  |
| Recreation and culture  | 7,494                   |                        |                        |   | 7,494                                   |
| Other   | 24,108                  |                        |                        |   | 24,108                                  |
| Debt service  | 24,010                  |                        | 9,324                  |   | 33,334                                  |
|   | <u>\$499,257</u>        | <u>\$16,385</u>        | <u>\$65,019</u>        | <u>\$12,333</u>                         | <u>\$592,994</u>                        |
| EXCESS OF REVENUES<br>(EXPENDITURES)                            | 12,001                  | (13,663)               | 13,713                 | 1,072                                   | 13,123                                  |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                       |                         |                        |                        |   |   |
| Transfers to/from other funds                                   | (18,928)                | 20,000                 |                        | (1,072)                                 |   |
| EXCESS OF REVENUES<br>EXPENDITURES) AND OTHER<br>FINANCING USES | <u>(\$6,927)</u>        | <u>\$6,337</u>         | <u>\$13,713</u>        | <u>\$</u>                               | <u>\$13,123</u>                         |
| Fund Balance at 3/31/2006                                       | 458,279                 | 31,573                 | 33,342                 |   | 523,194                                 |
| <b>FUND BALANCE 3/31/2007</b>                                   | <u><b>\$451,352</b></u> | <u><b>\$37,910</b></u> | <u><b>\$47,055</b></u> | <u><b>\$</b></u>                        | <u><b>\$536,317</b></u>                 |

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in net assets of governmental activities:

|  |          |
|--|----------|
| Net change in fund balances – Total Governmental Funds | \$13,123 |
|--|----------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

|                                     |          |
|-------------------------------------|----------|
| Additions:                          |          |
| Capital asset purchases capitalized | \$41,696 |
| Depreciation expense                | (82,786) |

The issuance of long-term debt (loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                  |        |
|----------------------------------|--------|
| Principal paid on long-term debt | 34,579 |
|----------------------------------|--------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

|                      |          |
|----------------------|----------|
| Accumulated absences | (16,714) |
| Pension liabilities  | (63,219) |

|   |   |
|---|---|
| Change in Net Assets of Governmental Activities | <div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">(\$73,321)</div> |
|---|---|

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

March 31, 2007

| <b>ASSETS</b>                                   | <b><u>Water</u></b> | <b><u>Sewer</u></b> | <b><u>Totals</u></b> |
|---|---------------------|---------------------|----------------------|
| <b>CURRENT ASSETS:</b>                          |                     |                     |                      |
| Cash and cash equivalents                       | \$118,567           | \$145,160           | \$263,727            |
| Accounts receivable-net                         | 14,198              | 14,764              | 28,962               |
| Due from other funds                            | 3,811               | 7,502               | 11,313               |
| Accrued interest income                         |                     | 854                 | 854                  |
| Deferred charges                                | 3,352               | 2,919               | 6,271                |
| Inventory (at cost )                            | 10,462              | 1,039               | 11,501               |
| Total Current Assets                            | \$150,390           | \$172,238           | \$322,628            |
| <b>RESTRICTED ASSETS:</b>                       |                     |                     |                      |
| Cash  | 31,000              | 56,400              | 87,400               |
| Total Restricted Assets                         | 31,000              | 56,400              | 87,400               |
| <b>NONCURRENT ASSETS:</b>                       |                     |                     |                      |
| Property, plant and equipment                   | 1,419,405           | 2,444,213           | 3,863,618            |
| Accumulated depreciation                        | (556,997)           | (1,112,809)         | (1,669,806)          |
| Loan acquisition costs-net                      | 5,098               | 3,741               | 8,839                |
| Total Non-Current Assets                        | 867,506             | 1,335,145           | 2,202,651            |
| <b>TOTAL ASSETS</b>                             | <b>\$1,048,896</b>  | <b>\$1,563,783</b>  | <b>\$2,612,679</b>   |
| <b>LIABILITIES AND NET ASSETS</b>               |                     |                     |                      |
| <b>CURRENT LIABILITIES:</b>                     |                     |                     |                      |
| Accounts payable                                | \$355               | \$2,597             | \$2,952              |
| Accrued wages/taxes                             | 290                 | 211                 | 501                  |
| Accrued interest payable                        |                     | 2,075               | 2,075                |
| Due to other funds                              | 27,284              | 31,649              | 58,933               |
| Customer deposits                               | 10,174              |                     | 10,174               |
| Current maturity on long-term debt              | 7,000               | 10,000              | 17,000               |
| Total Current Liabilities                       | \$45,103            | \$46,532            | \$91,635             |
| <b>LONG TERM LIABILITIES</b>                    |                     |                     |                      |
| Revenue bonds payable                           | 367,000             | 433,940             | 800,940              |
| Less current maturity on long-term debt         | (7,000)             | (10,000)            | (17,000)             |
| Total long-term liabilities                     | 360,000             | 423,940             | 783,940              |
| <b>TOTAL LIABILITIES</b>                        | <b>405,103</b>      | <b>470,472</b>      | <b>875,575</b>       |
| <b>NET ASSETS:</b>                              |                     |                     |                      |
| Investment in capital asset net of related debt | 495,408             | 897,464             | 1,392,872            |
| Reserved  | 31,000              | 56,400              | 87,400               |
| Unreserved                                      | 117,385             | 139,447             | 256,832              |
| <b>TOTAL NET ASSETS</b>                         | <b>\$643,793</b>    | <b>\$1,093,311</b>  | <b>\$1,737,104</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$1,048,896</b>  | <b>\$1,563,783</b>  | <b>\$2,612,679</b>   |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS TYPE  
Year ended March 31, 2007

| Business type Activities - Enterprise Funds |                   |                    |                    |
|---|-------------------|--------------------|--------------------|
|   | <u>Water Fund</u> | <u>Sewer Fund</u>  | <u>Total</u>       |
| <b>Operating revenues:</b>                  |                   |                    |                    |
| Charges for services                        | \$68,294          | \$77,044           | \$145,338          |
| Other revenues                              | 1,394             | 622                | 2,016              |
| Total Operating Revenues                    | \$69,688          | \$77,666           | \$147,354          |
| <b>Operating expenses:</b>                  |                   |                    |                    |
| Wages and benefits                          | \$7,016           | \$10,253           | \$17,269           |
| Contractual costs/repairs                   | 1,804             | 3,888              | 5,692              |
| Provision for depreciation/amortization     | 35,441            | 57,528             | 92,969             |
| Operating supplies                          | 2,535             | 317                | 2,852              |
| Utilities                                   | 4,127             | 2,901              | 7,028              |
| Insurance                                   | 5,162             | 5,579              | 10,741             |
| Administration                              | 703               | 375                | 1,078              |
| Professional fees                           | 1,200             | 1,200              | 2,400              |
| Training                                    | 2,477             |                    | 2,477              |
| Total Operating Expenses                    | \$60,465          | \$82,041           | \$142,506          |
| Operating income (loss)                     | \$9,223           | (\$4,375)          | \$4,848            |
| <b>Non-operating revenues (expenses)</b>    |                   |                    |                    |
| Interest income                             | 4,614             | 4,213              | 8,827              |
| Interest expense                            | (21,972)          | (25,143)           | (47,115)           |
| <b>Net Income (loss) before Transfers</b>   | (\$17,358)        | (\$20,930)         | (\$38,288)         |
| Change in Net Assets                        | (\$8,135)         | (\$25,305)         | (\$33,440)         |
| Net Assets - March 31, 2006                 | 651,928           | 1,118,616          | 1,770,544          |
| <b>NET ASSETS - MARCH 31, 2007</b>          | <b>\$643,793</b>  | <b>\$1,093,311</b> | <b>\$1,737,104</b> |

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS TYPES  
 TOWNSHIP OF MARENISCO  
 Year ended March 31, 2007

Business type Activities - Enterprise Funds

|  | <u>Water</u>     | <u>Sewer</u>     | <u>Totals</u>    |
|--|------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                  |                  |                  |
| Receipts from customers  | \$66,120         | \$74,805         | \$140,925        |
| Payments to employees and suppliers for goods and services                                     | (29,129)         | (23,079)         | (52,208)         |
| Internal activity- payment from (to) other funds   | (79,401)         | 58,778           | (20,623)         |
| Net Cash Provided (Used) by Operating Activities   | (42,410)         | 110,504          | 68,094           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                               |                  |                  |                  |
| Purchase of assets   |                  | (11,516)         | (11,516)         |
| Revenue bond principal/loans paid  | (7,000)          | (9,000)          | (16,000)         |
| Interest paid on bonds payable   | (21,972)         | (25,143)         | (47,115)         |
| Net Cash Provided (Used) for Capital and Related Financing Activities                          | (28,972)         | (45,659)         | (74,631)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                  |                  |                  |
| Interest received on investments   | 4,614            | 4,213            | 8,827            |
| Net Cash Provided (Used) by Investing Activities   | 4,614            | 4,213            | 8,827            |
| Net Increase (Decrease) in Cash  | (66,768)         | 69,058           | 2,290            |
| Cash and Cash Equivalents, March 31, 2006  | 216,335          | 132,502          | 348,837          |
| <b>CASH AND CASH EQUIVALENTS, March 31, 2007</b>   | <b>\$149,567</b> | <b>\$201,560</b> | <b>\$351,127</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                  |                  |                  |
| Operating income (loss)  | \$9,223          | (\$4,375)        | \$4,848          |
| Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:    |                  |                  |                  |
| Depreciation/amortization  | 35,441           | 57,528           | 92,969           |
| Change in assets and liabilities:  |                  |                  |                  |
| Accounts receivable  | (2,174)          | (2,239)          | (4,413)          |
| Due from other funds   |                  | 58,778           | 58,778           |
| Accrued interest income  |                  | (340)            | (340)            |
| Deferred charges   | (28)             | (133)            | (161)            |
| Inventory  | (5,333)          | (722)            | (6,055)          |
| Accounts payable   | (307)            | (5,863)          | (6,170)          |
| Accrued wages/taxes  | 187              | (16)             | 171              |
| Due to other funds   | (79,401)         | 7,928            | (71,473)         |
| Accrued interest payable   |                  | (42)             | (42)             |
| Customer deposits  | (18)             |                  | (18)             |
| Net Cash Provided by Operating Activities  | (\$42,410)       | \$110,504        | \$68,094         |

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
Year ended March 31, 2007

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Agency Funds

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|                           |                                 |                        |
|---------------------------|---------------------------------|------------------------|
|                           |                                 | Tax Collection<br>Fund |
| ASSETS                    |                                 |                        |
| Cash and cash equivalents |                                 | \$168,681              |
|                           | TOTAL ASSETS                    | <u>\$168,681</u>       |
| LIABILITIES               |                                 |                        |
| Due to Township           |                                 | \$125,594              |
| Due to County             |                                 | 43,087                 |
|                           | TOTAL LIABILITIES               | <u>\$168,681</u>       |
| NET ASSETS                |                                 |                        |
|                           | TOTAL NET ASSETS                | <u>\$</u>              |
|                           | TOTAL LIABILITES AND NET ASSETS | <u>\$168,681</u>       |

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Township of Marenisco operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it's the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**PROPRIETARY FUNDS**

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.



TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Fund - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. The Township only fiduciary fund is the Tax Collection Fund. This fund is custodial in nature and do not involve measurement of results of operations. The Township's retirement fund (Municipal Employees Retirement System) used to account for full time union employee benefits financial statements are not included in the government-wide financial statements.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

| <u>Fund</u>               | <u>Brief Description</u>   |
|---------------------------|--|
| <u>MAJOR FUNDS</u>        |  |
| 1. General                | See above for description.   |
| Special Revenue:          |  |
| 2. Fire                   | Account for two separate fire department operations.                         |
| 3. Ambulance              | Account for ambulance activities.  |
| Enterprise:               |  |
| 4. Water                  | Account for revenues and expenses of providing water services to the public. |
| 5. Sewer                  | Account for revenues and expenses of providing sewer services to the public. |
| <u>NONMAJOR FUNDS</u>     |  |
| Special Revenue:          |  |
| 6. Liquor Law Enforcement | Account for enforcement of compliance with liquor law operations.            |
| 7. Building Inspection    | Account for building inspection fees charged and related costs incurred.     |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
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Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end with the exception of Federal and State Shared revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
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**ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note G for details of interfund transactions, including receivables and payable at year-end.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; grant fund receivables; delinquent real property taxes; tax administrative fees and ambulance transport fees. With the exception of the ambulance transport fees, no allowance for uncollectible accounts has been recognized. Business-type activities report utilities earnings as their major receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Delinquent account balances can be placed on tax rolls and can be a lien against real property, therefore, they are considered fully collectable.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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#### Inventories

An inventory of Governmental Fund types operating supplies are considered to be immaterial and are not recognized, whereas, Proprietary Fund Types are valued at cost and inventory is taken at year end by a Township's employee.

#### Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

#### Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$1,500 in capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$100 and with a useful life of over three years. The Township, in adopting GASB 34, elected to capitalize infrastructure improvements costing \$5,000 effective as of April 1, 2004 and subsequently.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

|                            |                 |
|----------------------------|-----------------|
| Land                       | Not depreciated |
| Land improvements          | 20 Years        |
| Buildings and improvements | 40-50 Years     |
| Utility Systems            | 40-50 Years     |
| Equipment                  | 5-10 Years      |
| Vehicles                   | 5-10 Years      |
| Software                   | 3 Years         |
| Infrastructure (ROW)       | 19 Years        |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Restricted Assets

Proprietary Fund Types Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs and maintenance of the utility systems. The Township has deposited monies to meet the minimal amounts required per covenants. The Governmental Fund has designated monies for future road/sidewalk improvements; recreation and future cemetery care.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payables; lease purchase agreements; lease commitments; accrued compensated absences and unfunded prior service pension costs. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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**Budgets**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for Major Fund - Special Revenue Fund (Fire Fund) were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

**Fund Equity**

The unreserved fund equity for governmental funds represents the amount available for budgeting future operations.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

|                                    |  |
|------------------------------------|--|
| Governmental Funds – By Character: | Current (further classified by function) |
|                                    | Debt Service                             |
|                                    | Capital Outlay                           |

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.



TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit which are recorded in the Township records at cost. Interest is recorded when the interest is accrued.

Following is a summary of the carrying amount of cash for all funds as of March 31, 2007:

|   |                  |
|---|------------------|
| Cash deposited in banks insured by federal depository insurance | \$556,830        |
| Cash on hand  | 5,363            |
| Funds in excess of insurance limits (uncollaterized)            | 413,287          |
| Less outstanding items  | (131,510)        |
| Total   | <u>\$843,970</u> |

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

| <u>Fund</u>        | <u>Receivable</u> | <u>Allowance</u> | <u>Net</u> |
|--------------------|-------------------|------------------|------------|
| General Fund       | \$49,839          | \$               | \$49,839   |
| Water Fund         | \$14,198          | \$               | \$14,198   |
| Sewer Fund         | \$14,764          | \$               | \$14,764   |
| SRF-Ambulance Fund | \$28,634          | \$11,392         | \$17,242   |

General Fund - generally consists of delinquent tax monies; administrative fees; solid waste fees; State Shared Revenues and insurance reimbursements.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2007.

|   |                 |
|---|-----------------|
| Customer billing for the month ended March 2007 | \$18,571        |
| Delinquent billings                             | <u>10,391</u>   |
| Total   | <u>\$28,962</u> |

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible.

Ambulance Fund- customer unpaid balances. Customer's billings are aged and after approximately one year, the collectible becomes remote. An allowance for doubtful accounts has been provided for.

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2006 property tax roll:

|                      | <u>Levy</u>         | <u>Taxes<br/>Returned<br/>Delinquent</u> | <u>Net Tax<br/>Collected</u> |
|----------------------|---------------------|--|------------------------------|
| Real/Personal        |                     |  |                              |
| Property taxes:      |                     |  |                              |
| County               | \$535,486           | \$34,412                                 | \$501,074                    |
| School/SET           | 699,564             | 32,034                                   | 667,530                      |
| Township             | 295,150             | 23,203                                   | 271,947                      |
| CFR                  | 61,528              | 48                                       | 61,480                       |
| Delinquent utilities |                     |  |                              |
| Totals:              | <u>\$1,591,728</u>  | <u>\$89,697</u>                          | <u>\$1,502,031</u>           |
| Taxable Valuation    |                     |  |                              |
| Homestead            | \$10,023,262        |  |                              |
| Non-homestead        | <u>26,834,595</u>   |  |                              |
| Total                | <u>\$36,857,857</u> |  |                              |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2006 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2007, which would require specific disclosure.

NOTE G - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2007, are as follows:

| <u>Funds</u>  | <u>Interfund<br/>Receivable</u> | <u>Funds</u> | <u>Interfund<br/>Payable</u> |
|---------------|---------------------------------|--------------|------------------------------|
| General Fund- |                                 | Sewer Fund-  |                              |
| Water Fund    | \$26,269                        | General Fund | \$31,649                     |
| Tax Fund      | 115,296                         | Tax Fund-    |                              |
| Sewer Fund    | 31,649                          | General Fund | 115,296                      |
| Water Fund-   |                                 | Sewer Fund   | 6,487                        |
| Tax           | 3,811                           | Water Fund   | 3,811                        |
| Sewer Fund-   |                                 | Water Fund-  |                              |
| Tax Fund      | 6,487                           | General Fund | 26,269                       |
| Water Fund    | 1,015                           | Sewer Fund   | 1,015                        |
| TOTALS        | <u>\$184,527</u>                |              | <u>\$184,527</u>             |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**NOTE H – CAPITAL ASSETS**

A summary of changes in general fixed assets follow:

| <b>Governmental Activities</b>   | <b>Balance at<br/>March 31, 2006</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance at<br/>March 31, 2007</b> |
|----------------------------------|--------------------------------------|-------------------|------------------|--------------------------------------|
| Capital Assets not Depreciated   |                                      |                   |                  |                                      |
| Land                             | \$57,865                             | \$                | \$               | \$57,865                             |
| Capital Assets being Depreciated |                                      |                   |                  |                                      |
| Buildings and improvements       | 667,038                              | 18,915            |                  | 685,953                              |
| Vehicles                         | 761,333                              |                   | 43,100           | 718,233                              |
| Equipment and furniture          | 192,364                              | 7,061             | 6,000            | 193,425                              |
| Infrastructure-roads             | 44,080                               | 15,720            |                  | 59,800                               |
|                                  | <u>\$1,722,680</u>                   | <u>\$41,696</u>   | <u>\$49,100</u>  | <u>\$1,715,276</u>                   |
| Less Accumulated Depreciation    | (962,399)                            | (82,786)          | 49,100           | (996,085)                            |
| Net                              | <u>\$760,281</u>                     | <u>(\$41,090)</u> | <u>\$</u>        | <u>\$719,191</u>                     |

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

|                    |          |                      |          |
|--------------------|----------|----------------------|----------|
| General Government | \$5,633  | Public Works         | \$2,630  |
| Public Safety      | \$64,050 | Recreation & Culture | \$10,473 |

**NOTE I - ENTERPRISE FUNDS – CAPITAL ASSETS**

A summary of proprietary fund type property, plant and equipment follows:

| <b>Business-Type Activities</b>  | <b>Sewer Fund<br/>Balance at<br/>March 31, 2006</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Balance at<br/>March 31, 2007</b> |
|----------------------------------|---|-------------------|------------------|--------------------------------------|
| Capital Assets not Depreciated   |   |                   |                  |                                      |
| Land and land rights             | \$20,000  | \$                | \$               | \$20,000                             |
| Capital Assets being Depreciated |   |                   |                  |                                      |
| Utility plant                    | 2,097,027   | 11,516            |                  | 2,108,543                            |
| Buildings and improvements       | 176,399   |                   |                  | 176,399                              |
| Equipment                        | 169,473   |                   | 30,201           | 139,272                              |
| Subtotals                        | <u>\$2,462,899</u>                                  | <u>\$11,516</u>   | <u>\$30,201</u>  | <u>\$2,444,214</u>                   |
| Less Accumulated Depreciation    | (1,085,659)   | (57,351)          | 30,201           | (1,112,809)                          |
| Net                              | <u>\$1,377,240</u>                                  | <u>(\$45,835)</u> | <u>\$</u>        | <u>\$1,331,405</u>                   |

Depreciation is computed using the straight-line method.

Depreciation Expense 2006/2007 \$57,351

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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A summary of proprietary fund type property, plant and equipment follows:

**Water Fund**

| <b>Business-Type Activities</b>  | <b>Balance at<br/>March 31, 2006</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance at<br/>March 31, 2007</b> |
|----------------------------------|--------------------------------------|------------------|------------------|--------------------------------------|
| Capital Assets not Depreciated   | \$14,724                             | \$               | \$               | \$14,724                             |
| Land and land rights             |                                      |                  |                  |                                      |
| Capital Assets being Depreciated |                                      |                  |                  |                                      |
| Land improvements                | 23,184                               |                  |                  | 23,184                               |
| Utility plant                    | 1,370,910                            |                  |                  | 1,370,910                            |
| Equipment and software           | 19,642                               |                  | 9,056            | 10,586                               |
| Subtotals                        | \$1,428,460                          | \$               | \$9,056          | \$1,419,404                          |
| Less Accumulated Depreciation    | (530,824)                            | (35,229)         | 9,056            | (556,997)                            |
| Net                              | \$897,636                            | (\$35,229)       | \$               | \$862,407                            |

Depreciation is computed using the straight-line method.

Depreciation Expense 2006/2007 \$35,229

**NOTE J – LIQUOR LICENSE REBATES**

Liquor license monies totaling \$2,778 were received during the year and were transferred to the General Fund and used to support operations of the police department.

**NOTE K – ACCOUNTS PAYABLE**

The General Fund's accounts payable were for normal expenditures and estimated personal property tax over assessments alleged. The Special Revenue Fund, Ambulance Fund, was for shared transport fees on clients transported. The Proprietary Fund account payable balances were for normal expenditures at year-end.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**NOTE L – SUMMARY OF CHANGES IN LONG-TERM DEBT**

A summary of the changes in the Township's long-term debt follows:

|                            | <b><u>Balance at<br/>April 1, 2006</u></b> | <b><u>Additions</u></b> | <b><u>Deletions</u></b> | <b><u>Balance at<br/>March 31, 2007</u></b> |
|----------------------------|--|-------------------------|-------------------------|---|
| Sewage Disposal System     |  |                         |                         |   |
| Revenue Bonds              | \$365,000                                  | \$                      | \$7,000                 | \$358,000                                   |
| Junior Lien Revenue Bond   | 77,940                                     |                         | 2,000                   | 75,940                                      |
| Water System               |  |                         |                         |   |
| Revenue Bonds              | 374,000                                    |                         | 7,000                   | 367,000                                     |
| Capital lease payables     | 32,903                                     |                         | 11,807                  | 21,096                                      |
| Installment loan           |  |                         |                         |   |
| Payables                   | 30,800                                     |                         | 22,772                  | 8,028                                       |
| Unfunded pension liability |  | 63,219                  |                         | 63,219                                      |
| Accrued leave benefits     | 5,273                                      | 16,714                  |                         | 21,987                                      |
|                            | <b><u>\$885,916</u></b>                    | <b><u>\$79,933</u></b>  | <b><u>\$50,579</u></b>  | <b><u>\$915,270</u></b>                     |

**ENTERPRISE FUNDS - REVENUE BONDS**

**Sewage Disposal System**

The Township of Marenisco, Michigan adopted an ordinance on March 14, 1988, authorizing the issuance of a Sewage Disposal System Revenue Bond, dated March 1, 1988.

The bond consists of one single fully registered bond of \$419,000 and was purchased by Rural Economic and community Development Services. The bond bears an interest rate of 6% per year. Interest is payable on March 1, and September 1, and principal is payable each March 1 until maturity in the year 2028. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2007, the bond principal and payments were current. The principal balance outstanding of \$358,000 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are:

| <b><u>Year Ending March 31,</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|-------------------------------------|-------------------------|------------------------|---------------------|
| 2008                                | \$8,000                 | \$21,480               | \$29,480            |
| 2009                                | 9,000                   | 21,000                 | 30,000              |
| 2010                                | 10,000                  | 20,460                 | 30,460              |
| 2011                                | 11,000                  | 19,860                 | 30,860              |
| 2012                                | 11,000                  | 19,200                 | 30,200              |
| 2013                                | 12,000                  | 18,540                 | 30,540              |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|------------------------------|------------------|------------------|------------------|
| 2014                         | \$13,000         | \$17,820         | \$30,820         |
| 2015                         | 13,000           | 17,040           | 30,040           |
| 2016                         | 14,000           | 16,260           | 30,260           |
| 2017                         | 15,000           | 15,420           | 30,420           |
| 2018                         | 16,000           | 14,520           | 30,520           |
| 2019                         | 17,000           | 13,560           | 30,560           |
| 2020                         | 18,000           | 12,540           | 30,540           |
| 2021                         | 19,000           | 11,460           | 30,460           |
| 2022                         | 20,000           | 10,320           | 30,320           |
| 2023                         | 22,000           | 9,120            | 31,120           |
| 2024                         | 23,000           | 7,800            | 30,800           |
| 2025                         | 24,000           | 6,420            | 30,420           |
| 2026                         | 26,000           | 4,980            | 30,980           |
| 2027                         | 28,000           | 3,420            | 31,420           |
| 2028                         | 29,000           | 1,740            | 30,740           |
|                              | <u>\$358,000</u> | <u>\$282,960</u> | <u>\$640,960</u> |

The Township of Marenisco, Michigan, adopted an ordinance on October 9, 1995, authorizing the issuance of a Sewage Disposal System Junior Lien Revenue Bond.

The bond consists of one single fully registered bond of \$88,000 and was purchased by Rural Economic and Community Development Services. The bond bears an interest rate of 4.5% per year. Interest is payable on March 1 and September 1, and principal is payable each September 1 until maturity in the year 2035. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2007, the bond principal and interest payments were current. The principal balance of \$75,940 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are as follows:

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------|-----------------|--------------|
| 2008                         | \$2,000          | \$3,375         | \$5,375      |
| 2009                         | 2,000            | 3,285           | 5,285        |
| 2010                         | 2,000            | 3,195           | 5,195        |
| 2011                         | 2,000            | 3,105           | 5,105        |
| 2012                         | 2,000            | 3,015           | 5,015        |
| 2013                         | 2,000            | 2,925           | 4,925        |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|------------------------------|------------------|-----------------|------------------|
| 2014                         | \$2,000          | \$2,835         | \$4,835          |
| 2015                         | 2,000            | 2,745           | 4,745            |
| 2016                         | 2,000            | 2,655           | 4,655            |
| 2017                         | 2,000            | 2,565           | 4,565            |
| 2018                         | 2,000            | 2,475           | 4,475            |
| 2019                         | 3,000            | 2,363           | 5,363            |
| 2020                         | 3,000            | 2,227           | 5,227            |
| 2021                         | 3,000            | 2,092           | 5,092            |
| 2022                         | 3,000            | 1,958           | 4,958            |
| 2023                         | 3,000            | 1,823           | 4,823            |
| 2024                         | 3,000            | 1,687           | 4,687            |
| 2025                         | 3,000            | 1,553           | 4,553            |
| 2026                         | 3,000            | 1,417           | 4,417            |
| 2027                         | 3,000            | 1,283           | 4,283            |
| 2028                         | 3,000            | 1,147           | 4,147            |
| 2029                         | 3,000            | 1,012           | 4,012            |
| 2030                         | 3,000            | 878             | 3,878            |
| 2031                         | 3,000            | 743             | 3,743            |
| 2032                         | 3,000            | 607             | 3,607            |
| 2033                         | 3,000            | 473             | 3,473            |
| 2034                         | 3,000            | 337             | 3,337            |
| 2035                         | 3,000            | 203             | 3,203            |
| 2036                         | 2,940            | 68              | 3,008            |
|                              | <u>\$75,940</u>  | <u>\$54,046</u> | <u>\$129,986</u> |

**Water System**

The Township of Marenisco, Michigan adopted an ordinance on April 8, 1991, authorizing the issuance of a Water System Revenue Bond, dated April 30, 1991.

The bond consists of one single fully registered bond of \$435,000 and was purchased by Rural Economic and Community Development Services. The bonds bear an interest rate of 5.875% per year. Interest is payable on April 1 and October 1, and principal is payable each April 1 until maturity in the year 2032. Principal and interest are payable from the net revenues derived from operation of the water system.

At March 31, 2007, the bond principal and interest payments were current. The principal balance of \$367,000 is accounted for as a liability of the Water Utility Fund.



TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Debt service charges until maturity are:

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|------------------------------|------------------|------------------|------------------|
| 2008                         | \$7,000          | \$21,767         | \$28,767         |
| 2009                         | 7,000            | 21,356           | 28,356           |
| 2010                         | 8,000            | 20,915           | 28,915           |
| 2011                         | 8,000            | 20,445           | 28,445           |
| 2012                         | 8,000            | 19,975           | 27,975           |
| 2013                         | 9,000            | 19,476           | 28,476           |
| 2014                         | 10,000           | 18,917           | 28,917           |
| 2015                         | 10,000           | 18,330           | 28,330           |
| 2016                         | 11,000           | 17,713           | 28,713           |
| 2017                         | 12,000           | 17,037           | 29,037           |
| 2018                         | 12,000           | 16,332           | 28,332           |
| 2019                         | 13,000           | 15,598           | 28,598           |
| 2020                         | 14,000           | 14,805           | 28,805           |
| 2021                         | 15,000           | 13,953           | 28,953           |
| 2022                         | 16,000           | 13,043           | 29,043           |
| 2023                         | 17,000           | 12,073           | 29,073           |
| 2024                         | 18,000           | 11,045           | 29,045           |
| 2025                         | 20,000           | 9,929            | 29,929           |
| 2026                         | 21,000           | 8,724            | 29,724           |
| 2027                         | 22,000           | 7,461            | 29,461           |
| 2028                         | 24,000           | 6,110            | 30,110           |
| 2029                         | 25,000           | 4,671            | 29,671           |
| 2030                         | 27,000           | 3,143            | 30,143           |
| 2031                         | 29,000           | 1,498            | 30,498           |
| 2032                         | 4,000            | 323              | 4,323            |
|                              | <u>\$367,000</u> | <u>\$334,639</u> | <u>\$701,639</u> |

#### CAPITAL LEASES

On February 15, 2003, the Township entered into an operating lease with Xerox Corporation for the use of a copier for a term of five years. The Township agreed to make monthly payments of \$301.82 for the term of five years.

A lease purchase agreement was entered into on October 31, 2003 with Oshkosh Capital in the acquisition of an ambulance. The agreement is secured by the ambulance and bears an interest rate of 4.05%. Payments are to be made in 5 annual installment of \$9,323.85 beginning in November 2004 plus accrued interest beginning on October 31, 2003. Minimum lease payments due on the above contracts are as follows:

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

| <u>Year Ending March 31,</u> | <u>Ambulance Lease</u> | <u>Copier Lease</u> | <u>Totals</u> |
|------------------------------|------------------------|---------------------|---------------|
|                              | <u>Payments</u>        | <u>Principal</u>    |               |
| 2008                         | \$9,324                | \$8,548             | \$12,169      |
| 2009                         | 9,324                  | 8,927               | 8,927         |
|                              | \$18,648               | \$17,475            | \$21,096      |

#### INSTALLMENT LOANS

On May 27, 2005, the Township entered into a business note in the purchase of a police vehicle with River Valley State Bank in the amount of \$15,800, bearing an interest rate of 3.25%, secured by the vehicle. Payments are to be made in two annual installments of \$8,293 due May 27, 2006, and one final payment of unpaid principal and accrued interest due on May 27, 2007.

A summary of the agreed upon payments of principal and interest are as follows:

| <u>Year Ending March 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------|-----------------|--------------|
| 2008                         | \$8,028          | \$261           | \$8,289      |

#### COMPENSATED ABSENCES

The Township union agreement was updated November 1, 2005 to allow various leave benefits to three employees based upon years of service. The following description is provided to provide insight as to accrued leave benefits payable at year end.

Employees are entitled to:

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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**Annual Leave**

All full time employees shall be entitled to annual leave with pay computed at straight time rates based upon the following schedule:

|  |         |
|--|---------|
| After completion of 1 year   | 5 Days  |
| After completion of 2 years  | 10 Days |
| After completion of 4 years  | 15 Days |
| After completion of 8 years  | 20 Days |
| After completion of 15 years   | 25 Days |
| After completion of 29 years, one (1) additional day per year to a maximum of 30 days. |         |

Employees are encouraged to take leave time within the year credited.

As of March 31, 2007, accrued annual leave benefits of \$3,949 are recognized in Statement of Net Assets - Governmental Activities Statement.

**Personal Days/Compensatory Time**

The full time employees may elect one of every five (5) vacation days to be used as a personal day. This allows the employee greater flexibility in scheduling a day off. Also, upon occasion, compensatory time is earned by employees to be used at a future time period. As of March 31, 2007, the accrued personal and compensatory benefits outstanding of \$579 are reflected in the Statement of Net Assets - Governmental Activities Statement.

**Sick Leave**

Every full-time employee shall be entitled to sick leave with full pay one eight (8) hour workday (computed at straight time) for each completed month of service. Unused sick leave may be accumulated to a maximum of two-hundred and sixty (260) days. If an employee has a minimum of ten (10) years of service to the Employer and said employee retires, the employee shall be paid the lesser of \$3,000 or the employees accumulated sick leave at 100% his/her prevailing rate of pay. Otherwise, no employee shall be entitled to be compensated for unused sick leave. The full amount of accrued sick pay accrued is \$17,441, whereas, only one employee has been employed with the Township over 10 years. As of March 31, 2007, the accrued sick leave benefits of \$17,441 are recognized in the Statement of Net Assets - Governmental Activities Statement. The accrued benefits for the Enterprise Funds are immaterial and are not recognized in the financial statements.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE M – EMPLOYEE RETIREMENT PLAN

The Township is a participating member of the Michigan Employees Retirement System (MERS) which covers full time union employees under contract. The plan is a multiple-employer, defined benefit, public employee retirement system. The Township converted from a defined contribution plan to the MERS plan effective November 1, 2005. Initially, the Township was unaware of the potential unfunded pension liability resulting from the conversion of plans and explored options in addressing the unfunded portion. The Township elected to continue with the MERS plan for the time period covered under the union contract. Based upon the Board's decision to continue with MERS, the unfunded portion will be recognized in the current year's Statement of Net Assets. The Township's computed employer contribution rate was 11.86%, which consisted of 9.18% for normal retirement and 2.68% towards amortization of unfunded accrued liability (29 years).

The payroll for Marenisco Township employees covered by the system for the year ended December 31, 2006, was \$114,508; the employer's total payroll was \$181,098. The total required contribution for the year ended December 31, 2006, was \$13,581, of which was paid by the employer.

GASB 25 Information (as of 12/31/2006)

Actuarial Accrued Liability

|   |                |
|---|----------------|
| Retirees and beneficiaries currently receiving benefits   | \$0            |
| Terminated employees (vested former members) not yet<br>Receiving benefits                        | 0              |
| Non-vested terminated employees (pending refunds of<br>Accumulated member contributions           | 0              |
| Current employees-<br>Accumulated employee contributions including<br>Allocated investment income | 0              |
| Employer financed   | <u>136,153</u> |
| Total Actuarial Accrued Liability   | \$136,153      |
| Net Assets Available for Benefits at Actuarial Value<br>(Market Value is \$73,954)                | <u>72,934</u>  |
| Unfunded (overfunded) Actuarial Accrued Liability   | \$63,219       |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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GASB 27 Information (as of 12/31/2006)

|   |               |
|---|---------------|
| Fiscal Year Beginning   | April 1, 2008 |
| Annual Required Contribution (ARC)                            | \$14,196      |
| Amortization Factor Used – Underfunded Liabilities (29 Years) | 0.054719      |

Further disclosures required under GASB Statement No. 25 and No.27 is not included due to lack of available information.

NOTE N – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through two enterprise funds. Segment information as of March 31, 2007, follows:

|                                | <b>Water<br/>Utility<br/>Fund</b> | <b>Sewer<br/>Utility<br/>Fund</b> | <b>Totals</b> |
|--------------------------------|-----------------------------------|-----------------------------------|---------------|
| Operating revenues             | \$69,688                          | \$77,666                          | \$147,354     |
| Depreciation/amortized expense | \$35,441                          | \$57,528                          | \$92,969      |
| Operating income (loss)        | \$9,223                           | (\$4,375)                         | \$4,848       |
| Restrictive donations/grants   | 0                                 | 0                                 | 0             |
| Operating transfers            | 0                                 | 0                                 | 0             |
| Tax revenues                   | 0                                 | 0                                 | 0             |
| Increase (decrease) in         |                                   |                                   |               |
| Net Asset                      | (\$8,135)                         | (\$25,305)                        | (\$33,440)    |
| Current capital contribution   | 0                                 | 0                                 | 0             |
| Increase (decrease) in         |                                   |                                   |               |
| Fixed assets                   | (\$9,056)                         | (\$18,685)                        | (\$27,741)    |
| Long-term debt payable         |                                   |                                   |               |
| from operating revenues        | \$367,000                         | \$433,940                         | \$800,940     |
| Net Assets                     |                                   |                                   |               |
| Unreserved (deficit)           | \$117,385                         | \$139,447                         | \$256,832     |

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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**NOTE O – RISK MANAGEMENT**

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund, Special Revenue Funds and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, are considered.

The Township has been presented an entry for consent judgment regarding Enbridge Energy vs. Marenisco Township on alleged over assessment of personal property taxes for the tax years 2003 through 2007. Due to another Township accepting a similar offer based upon a test case, the financial statements have been adjusted to reflect a probable payback of \$18,752 including interest for the tax years 2003-2006. The Township is contemplating their alternatives in lieu of accepting the proposed settlement offered. The General Fund, Balance Sheets and the Statement of Net Assets have been adjusted in reflecting the proposed settlement amount pending future Board action.

Management estimates that the amount of actual or potential claims, except for above tax appeal, against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the General Fund contains no additional provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

**NOTE P – RESTRICTED FUND AND CASH BALANCES**

The Township has designated the General Fund balance for various activities as follows:

|                               |                  |
|-------------------------------|------------------|
| Road repairs and improvements | \$204,703        |
| Recreation equipment          | 585              |
| Cemetery perpetual care       | <u>1,933</u>     |
| Totals                        | <u>\$207,221</u> |

The General Fund has several restricted cash accounts with \$106,961 set aside towards fully funding the restricted fund balance. The Proprietary Funds have established and funded (\$87,400) various cash accounts in fulfilling various bond covenant agreements.

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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NOTE Q – LIMITED TAX GENERAL OBLIGATION

The Township is a member of the Gogebic Range Solid Waste Management Authority, which was created on August 6, 1987 by the Cities of Bessemer and Wakefield, and the Townships of Bessemer, Ironwood and Marenisco as a joint venture. The purpose of the Authority is to construct and operate a solid waste transfer station for its members, other municipalities and the general public. The Authority is organized in accordance with Act 233, Public Acts of Michigan as amended. The Authority operates under a board of directors comprised of members from the constituent municipalities.

The Authority operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of GRSWMA are available at the office of the GRSWMA, E5917 US 2, Ironwood, Michigan.

A condensed summary of the GRSWMA activities as of June 30, 2006, is as follows:

|   |                    |
|---|--------------------|
| Total Assets                            | <u>\$1,075,063</u> |
| Total Liabilities                       | <u>\$429,067</u>   |
| Total Net Assets                        | <u>\$645,996</u>   |
| <br>Total Revenues                      | <br>\$663,074      |
| Total Expenditures                      | <u>707,901</u>     |
| Decrease in Net Assets                  | <u>(\$44,827)</u>  |
| <br>Total Authority debt is as follows: |                    |
| Current                                 | \$122,167          |
| Long-term                               | <u>306,900</u>     |
| Total Debt                              | <u>\$429,067</u>   |

All GRSWMA debt is expected to be paid by the revenues of the Authority. As of June 30, 2006, the Authority issued and received \$354,900 in revenue bonds (Limited Tax General Obligation). The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property

TOWNSHIP OF MARENISCO  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

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within their boundaries to the extent to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. Since inception, the Township has not been requested to assist the GRSWMA in making payments on the current bond issuance or prior issuances. Since the Authority has been able to fulfill their payment obligations with revenues charged its customers, no debt payment schedules are disclosed.

NOTE R- BUDGET AND BUDGETARY COMPLIANCE

In the body of the financial statements, the Township of Marenisco's actual expenditures exceeded budgeted funds resulting in cost overages per functional basis. PA 621 provides guidance in that whenever anticipated expenditures appear to be exceeding budgeted costs centers per function, a budget revision needs to be undertaken. Refer to page 49 to illustrate the Governmental Fund – General Fund. Furthermore, another major fund type formal budget (pages 56) were not adopted as required.

NOTE S – COMMITMENTS AND CONTINGENCIES

In normal course of operations, the Township participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of that is to ensure compliance with the specific conditions of the grant program. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.



REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL  
MAJOR GOVERNMENTAL FUND - GENERAL FUND  
For the Year ended March 31, 2007

|  | <u>Budgeted Amounts</u> |                         |                         |                        |
|--|-------------------------|-------------------------|-------------------------|------------------------|
|  | <u>ORIGINAL</u>         | <u>FINAL</u>            | <u>ACTUAL</u>           | <u>VARIANCE</u>        |
| <b>REVENUES</b>  |                         |                         |                         |                        |
| Taxes  | \$274,500               | \$274,500               | \$290,843               | \$16,343               |
| Other taxes  | 25,736                  | 25,736                  | 30,055                  | 4,319                  |
| Tax administrative fees  |                         |                         | 22,346                  | 22,346                 |
| Federal shared revenues  | 32,456                  | 32,456                  | 25,868                  | (6,588)                |
| State shared revenues  | 77,000                  | 77,000                  | 78,415                  | 1,415                  |
| Charges for services   | 72,200                  | 72,200                  | 52,916                  | (19,284)               |
| Interest   | 4,500                   | 4,500                   | 4,945                   | 445                    |
| Asset sales proceeds   | 3,000                   | 3,000                   | 1,366                   | (1,634)                |
| Rental income  | 9,000                   | 9,000                   | 1,435                   | (7,565)                |
| Other revenue  | 19,700                  | 19,700                  | 3,069                   | (16,631)               |
|  | <u>\$518,092</u>        | <u>\$518,092</u>        | <u>\$511,258</u>        | <u>(\$6,834)</u>       |
| <b>EXPENDITURES</b>  |                         |                         |                         |                        |
| Legislative  | \$104,000               | \$104,000               | \$104,184               | (\$184)                |
| General government   | 142,492                 | 142,492                 | 206,961                 | (64,469)               |
| Public safety  | 142,300                 | 142,300                 | 92,356                  | 49,944                 |
| Public works   | 63,000                  | 63,000                  | 40,144                  | 22,856                 |
| Recreation and culture   | 6,000                   | 6,000                   | 7,494                   | (1,494)                |
| Other  | 60,400                  | 60,400                  | 24,108                  | 36,292                 |
| Debt service   | 25,000                  | 25,000                  | 24,010                  | 990                    |
|  | <u>\$543,192</u>        | <u>\$543,192</u>        | <u>\$499,257</u>        | <u>\$43,935</u>        |
| <b>EXCESS OF REVENUES<br/>(EXPENDITURES)</b>                             | (25,100)                | (25,100)                | 12,001                  | 37,101                 |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                                |                         |                         |                         |                        |
| Transfers to/from other funds  | (20,000)                | (20,000)                | (18,928)                | 1,072                  |
| <b>EXCESS OF REVENUES<br/>EXPENDITURES) AND OTHER<br/>FINANCING USES</b> | <u>(\$45,100)</u>       | <u>(\$45,100)</u>       | <u>(\$6,927)</u>        | <u>\$38,173</u>        |
| Fund Balance at 3/31/2006  | 458,279                 | 458,279                 | 458,279                 |                        |
| <b>FUND BALANCE MARCH 31, 2007</b>                                       | <u><u>\$413,179</u></u> | <u><u>\$413,179</u></u> | <u><u>\$451,352</u></u> | <u><u>\$38,173</u></u> |

The accompanying notes are an integral part of the financial statements.

**OTHER FINANCIAL  
INFORMATION**

TOWNSHIP OF MARENISCO  
MAJOR GOVERNMENTAL FUND  
GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

|                           | <b><u>BUDGETED AMOUNTS</u></b> |                     | <b><u>ACTUAL</u></b> | <b><u>VARIANCE</u></b> |
|---------------------------|--------------------------------|---------------------|----------------------|------------------------|
|                           | <b><u>ORIGINAL</u></b>         | <b><u>FINAL</u></b> |                      |                        |
| <b>LEGISLATIVE</b>        |                                |                     |                      |                        |
| Township Board:           |                                |                     |                      |                        |
| Salaries                  |                                |                     | \$24,765             |                        |
| Office supplies           |                                |                     | 9,017                |                        |
| Communications            |                                |                     | 2,265                |                        |
| Professional fees         |                                |                     | 164                  |                        |
| Transportation            |                                |                     | 977                  |                        |
| Printing and publications |                                |                     | 88                   |                        |
| Insurance                 |                                |                     | 28,778               |                        |
| Dues                      |                                |                     | 1,434                |                        |
| Miscellaneous             |                                |                     | 732                  |                        |
| Contributions             |                                |                     | 6,376                |                        |
| Charge backs              |                                |                     | 14,492               |                        |
| Penalties and interest    |                                |                     | 2,136                |                        |
| Retirement                |                                |                     | 12,960               |                        |
| <b>TOTAL LEGISLATIVE</b>  | <b>\$104,000</b>               | <b>\$104,000</b>    | <b>\$104,184</b>     | <b>(\$184)</b>         |
|                           |                                |                     |                      |                        |
| General Government:       |                                |                     |                      |                        |
| Supervisor:               |                                |                     |                      |                        |
| Salaries                  |                                |                     | \$13,224             |                        |
| Transportation            |                                |                     | 325                  |                        |
| Miscellaneous             |                                |                     | 445                  |                        |
| <b>TOTAL SUPERVISOR</b>   | <b>\$15,000</b>                | <b>\$15,000</b>     | <b>\$13,994</b>      | <b>\$1,006</b>         |
|                           |                                |                     |                      |                        |
| <b>ELECTION</b>           | <b>\$2,200</b>                 | <b>\$2,200</b>      | <b>\$1,404</b>       | <b>\$796</b>           |
|                           |                                |                     |                      |                        |
| <b>ATTORNEY</b>           | <b>\$6,000</b>                 | <b>\$6,000</b>      | <b>\$1,183</b>       | <b>\$4,817</b>         |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
MAJOR GOVERNMENTAL FUND  
GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

|                       | <u>BUDGETED AMOUNTS</u> |              | <u>ACTUAL</u> | <u>VARIANCE</u> |
|-----------------------|-------------------------|--------------|---------------|-----------------|
|                       | <u>ORIGINAL</u>         | <u>FINAL</u> |               |                 |
| Assessor:             |                         |              |               |                 |
| Contractual costs     |                         |              | \$13,750      |                 |
| Office supplies       |                         |              | 644           |                 |
| Communications        |                         |              | 75            |                 |
| Transportation        |                         |              | 536           |                 |
| Miscellaneous         |                         |              | 90            |                 |
| TOTAL ASSESSOR        | \$12,300                | \$12,300     | \$15,095      | (\$2,795)       |
| Clerk:                |                         |              |               |                 |
| Salary                |                         |              | \$6,170       |                 |
| Office supplies       |                         |              | 4,356         |                 |
| Professional fees     |                         |              | 7,500         |                 |
| TOTAL CLERK           | \$17,900                | \$17,900     | \$18,026      | (\$126)         |
| TOTAL BOARD OF REVIEW | \$500                   | \$500        | \$762         | (\$262)         |
| Treasurer:            |                         |              |               |                 |
| Salary                |                         |              | \$11,707      |                 |
| Office supplies       |                         |              | 4,060         |                 |
| Transportation        |                         |              | 1,027         |                 |
| Miscellaneous         |                         |              | 1,140         |                 |
| TOTAL TREASURER       | \$15,600                | \$15,600     | \$17,934      | (\$2,334)       |
| Cemetery:             |                         |              |               |                 |
| Salary                |                         |              | \$996         |                 |
| Supplies              |                         |              | 226           |                 |
| Miscellaneous         |                         |              | 406           |                 |
| Capital Outlay        |                         |              | 2,952         |                 |
| TOTAL CEMETERY        | \$6,992                 | \$6,992      | \$4,580       | \$2,412         |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
MAJOR GOVERNMENTAL FUND  
GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
Year ended March 31, 2007

|                                 | <u>BUDGETED AMOUNTS</u> |                  | <u>ACTUAL</u>    | <u>VARIANCE</u>   |
|---------------------------------|-------------------------|------------------|------------------|-------------------|
|                                 | <u>ORIGINAL</u>         | <u>FINAL</u>     |                  |                   |
| Township Properties:            |                         |                  |                  |                   |
| Wages                           |                         |                  | \$48,024         |                   |
| Fringe benefits                 |                         |                  | 28,256           |                   |
| Supplies                        |                         |                  | 3,992            |                   |
| Transportation                  |                         |                  | 15,110           |                   |
| Communications                  |                         |                  | 3,766            |                   |
| Utilities                       |                         |                  | 11,842           |                   |
| Repairs & maintenance           |                         |                  | 7,126            |                   |
| Miscellaneous                   |                         |                  | 189              |                   |
| Equipment                       |                         |                  | 2,130            |                   |
| Capital outlay                  |                         |                  | 13,548           |                   |
|                                 | \$66,000                | \$66,000         | \$133,983        | (\$67,983)        |
| <b>TOTAL GENERAL GOVERNMENT</b> | <b>\$142,492</b>        | <b>\$142,492</b> | <b>\$206,961</b> | <b>(\$64,469)</b> |
| Police:                         |                         |                  |                  |                   |
| Wages                           |                         |                  | \$43,343         |                   |
| Supplies                        |                         |                  | 2,185            |                   |
| Communications                  |                         |                  | 865              |                   |
| Training                        |                         |                  | 116              |                   |
| Snowmobile grant expense        |                         |                  | 9,655            |                   |
| Miscellaneous                   |                         |                  | 1,971            |                   |
| Equipment                       |                         |                  | 4,931            |                   |
| <b>TOTAL POLICE PROTECTION</b>  | <b>\$82,000</b>         | <b>\$82,000</b>  | <b>\$63,066</b>  | <b>\$18,934</b>   |
| Fire:                           |                         |                  |                  |                   |
| Insurance                       |                         |                  | \$6,552          |                   |
| Hydrant rental                  |                         |                  | 9,477            |                   |
| Supplies                        |                         |                  | 3,580            |                   |
| Communications                  |                         |                  | 640              |                   |
| Utilities                       |                         |                  | 4,518            |                   |
| Miscellaneous                   |                         |                  | 931              |                   |
| Capital outlay                  |                         |                  | 2,416            |                   |
| <b>TOTAL FIRE PROTECTION</b>    | <b>\$52,000</b>         | <b>\$52,000</b>  | <b>\$28,114</b>  | <b>\$23,886</b>   |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
MAJOR GOVERNMENTAL FUND  
GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

|                                       | <u>BUDGETED AMOUNTS</u> |                  | <u>ACTUAL</u>   | <u>VARIANCE</u>  |
|---------------------------------------|-------------------------|------------------|-----------------|------------------|
|                                       | <u>ORIGINAL</u>         | <u>FINAL</u>     |                 |                  |
| ZONING                                | \$8,300                 | \$8,300          | \$1,176         | \$7,124          |
| <b>TOTAL PUBLIC SAFETY</b>            | <b>\$142,300</b>        | <b>\$142,300</b> | <b>\$92,356</b> | <b>\$49,944</b>  |
| Public Works:                         |                         |                  |                 |                  |
| Street & Roads                        |                         |                  |                 |                  |
| Road improvements                     | \$20,000                | \$20,000         | \$15,719        | \$4,281          |
| Street lights                         | \$8,000                 | \$8,000          | \$8,586         | (\$586)          |
| Sanitation:                           |                         |                  |                 |                  |
| Wages                                 |                         |                  | \$8,086         |                  |
| Disposal fees                         |                         |                  | 7,753           |                  |
| Total Sanitation                      | \$35,000                | \$35,000         | \$15,839        | \$19,161         |
| <b>TOTAL PUBLIC WORKS</b>             | <b>\$63,000</b>         | <b>\$63,000</b>  | <b>\$40,144</b> | <b>\$22,856</b>  |
| Recreation and Culture:               |                         |                  |                 |                  |
| Parks:                                |                         |                  |                 |                  |
| Wages                                 |                         |                  | \$1,533         |                  |
| Supplies                              |                         |                  | 281             |                  |
| Utilities                             |                         |                  | 138             |                  |
| Community promotion                   |                         |                  | 5,400           |                  |
| Miscellaneous                         |                         |                  | 142             |                  |
| <b>TOTAL RECREATION &amp; CULTURE</b> | <b>\$6,000</b>          | <b>\$6,000</b>   | <b>\$7,494</b>  | <b>(\$1,494)</b> |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
MAJOR GOVERNMENTAL FUND  
GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

|                                 | <u>BUDGETED AMOUNTS</u> |                  | <u>ACTUAL</u>    | <u>VARIANCE</u>   |
|---------------------------------|-------------------------|------------------|------------------|-------------------|
|                                 | <u>ORIGINAL</u>         | <u>FINAL</u>     |                  |                   |
| OTHER                           |                         |                  |                  |                   |
| Payroll taxes                   | \$                      | \$               | \$13,646         | (\$13,646)        |
| Contributions                   | 6,200                   | 6,200            | 6,708            | (508)             |
| Economic development            | 9,200                   | 9,200            |                  | 9,200             |
| Lease payments                  |                         |                  | 3,754            | (3,754)           |
| Contingency                     | 45,000                  | 45,000           |                  | 45,000            |
| <b>TOTAL OTHER</b>              | <b>\$60,400</b>         | <b>\$60,400</b>  | <b>\$24,108</b>  | <b>\$36,292</b>   |
| <b>DEBT SERVICE</b>             |                         |                  |                  |                   |
| Principal                       |                         |                  | \$22,772         |                   |
| Interest and fees               |                         |                  | 1,238            |                   |
| <b>TOTAL DEBT SERVICE</b>       | <b>\$25,000</b>         | <b>\$25,000</b>  | <b>\$24,010</b>  | <b>\$990</b>      |
| <b>TOTAL EXPENDITURES</b>       | <b>\$543,192</b>        | <b>\$543,192</b> | <b>\$499,257</b> | <b>\$43,935</b>   |
| <b>TRANSFERS TO OTHER FUNDS</b> | <b>\$</b>               | <b>\$</b>        | <b>\$20,000</b>  | <b>(\$20,000)</b> |

The accompanying notes are an integral part of the financial statements



TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
MAJOR FUND  
FIRE FUNDS

Year ended March 31, 2007

Special Revenue Fund

**BUDGETED AMOUNTS**

|   | <b><u>ORIGINAL</u></b> | <b><u>FINAL</u></b> | <b><u>ACTUAL</u></b> | <b><u>VARIANCE</u></b> |
|---|------------------------|---------------------|----------------------|------------------------|
| <b>Revenues:</b>  |                        |                     |                      |                        |
| Donations   | \$                     | \$                  | \$1,880              | \$1,880                |
| Interest income   |                        |                     | 842                  | 842                    |
|   | \$                     | \$                  | \$2,722              | \$2,722                |
| <b>Expenditures:</b>  |                        |                     |                      |                        |
| Contract costs  | \$                     | \$                  | \$3,550              | (\$3,550)              |
| Operating supplies  |                        |                     | 6,653                | (6,653)                |
| Transportation  |                        |                     | 1,312                | (1,312)                |
| Insurance   |                        |                     | 523                  | (523)                  |
| Uniforms  |                        |                     | 1,242                | (1,242)                |
| Repairs & maintenance   |                        |                     | 760                  | (760)                  |
| Training  |                        |                     | 1,164                | (1,164)                |
| Memberships & dues  |                        |                     | 70                   | (70)                   |
| Miscellaneous   |                        |                     | 1,111                | (1,111)                |
|   | \$                     | \$                  | \$16,385             | (\$16,385)             |
| Excess of Revenues over<br>(under) Expenditures                                     |                        |                     | (13,663)             | (13,663)               |
| Other Financing Sources<br>(Uses):  |                        |                     |                      |                        |
| Transfers from other funds  |                        |                     | 20,000               | 20,000                 |
| Excess of Revenues and Other<br>Sources over (under)<br>Expenditures and Other Uses |                        |                     | 6,337                | 6,337                  |
| Fund Balance 3/31/2006  | 31,573                 | 31,573              | 31,573               |                        |
| <b>FUND BALANCE 3/31/2007</b>   | <b>\$31,573</b>        | <b>\$31,573</b>     | <b>\$37,910</b>      | <b>\$6,337</b>         |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
MAJOR FUND  
AMBULANCE FUND

Year ended March 31, 2007  
Special Revenue Fund

|   | <b><u>BUDGETED AMOUNTS</u></b> |                        | <b><u>ACTUAL</u></b>   | <b><u>VARIANCE</u></b>  |
|---|--------------------------------|------------------------|------------------------|-------------------------|
|   | <b><u>ORIGINAL</u></b>         | <b><u>FINAL</u></b>    |                        |                         |
| <b>Revenues:</b>                                |                                |                        |                        |                         |
| Charges for services                            | \$65,000                       | \$65,000               | \$78,458               | \$13,458                |
| Donations                                       | 8,000                          | 8,000                  |                        | (8,000)                 |
| Interest income                                 |                                |                        | 274                    | 274                     |
|   | <u>\$73,000</u>                | <u>\$73,000</u>        | <u>\$78,732</u>        | <u>\$5,732</u>          |
| <b>Expenditures:</b>                            |                                |                        |                        |                         |
| Wages and taxes                                 | \$                             | \$                     | \$3,375                | (\$3,375)               |
| Bad debt  | 12,000                         | 12,000                 | 28,204                 | (16,204)                |
| Transport-contract cost                         | 16,000                         | 16,000                 | 15,869                 | 131                     |
| Communications                                  | 450                            | 450                    | 337                    | 113                     |
| Operating supplies                              | 2,400                          | 2,400                  | 5,297                  | (2,897)                 |
| Repairs and maintenance                         |                                |                        | 191                    | (191)                   |
| Miscellaneous                                   | 1,000                          | 1,000                  | 629                    | 371                     |
| Training  | 3,350                          | 3,350                  | 1,793                  | 1,557                   |
| Equipment                                       | 9,400                          | 9,400                  |                        | 9,400                   |
| Debt service:                                   | 10,000                         | 10,000                 |                        | 10,000                  |
| Principal                                       |                                |                        | 8,185                  | (8,185)                 |
| Interest  |                                |                        | 1,139                  | (1,139)                 |
|   | <u>\$54,600</u>                | <u>\$54,600</u>        | <u>\$65,019</u>        | <u>(\$10,419)</u>       |
| Excess of Revenues over<br>(under) Expenditures | 18,400                         | 18,400                 | 13,713                 | (4,687)                 |
| Fund Balance 3/31/2006                          | 33,342                         | 33,342                 | 33,342                 |                         |
| <b>FUND BALANCE 3/31/2007</b>                   | <u><b>\$51,742</b></u>         | <u><b>\$51,742</b></u> | <u><b>\$47,055</b></u> | <u><b>(\$4,687)</b></u> |

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS  
NON-MAJOR FUNDS  
TOWNSHIP OF MARENISCO

March 31, 2007  
Special Revenue Funds

|                                    | <u>Liquor Law<br/>Enforcement</u> | <u>Building<br/>Inspections</u> | <u>Totals</u> |
|------------------------------------|-----------------------------------|---------------------------------|---------------|
| Assets:                            |                                   |                                 |               |
| Cash in bank                       | \$                                | \$                              | \$            |
| Accounts receivable                |                                   |                                 |               |
| Allowance for<br>doubtful accounts |                                   |                                 |               |
| Prepaid expenses                   |                                   |                                 |               |
| Accrued interest<br>income         |                                   |                                 |               |
| Total Assets                       | <u>\$</u>                         | <u>\$</u>                       | <u>\$</u>     |
| Accounts payable                   | \$                                | \$                              | \$            |
| Fund balance-<br>unreserved        |                                   |                                 |               |
| Total Equity &<br>Liabilities      | <u>\$</u>                         | <u>\$</u>                       | <u>\$</u>     |

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUNDS  
NON-MAJOR FUNDS  
TOWNSHIP OF MARENISCO

Year ended March 31, 2007

Special Revenue Funds

|   | <u>Liquor Law<br/>Enforcement</u> | <u>Building<br/>Inspections</u> | <u>Totals</u> |
|---|-----------------------------------|---------------------------------|---------------|
| Revenues:   |                                   |                                 |               |
| State grants  | \$2,778                           | \$                              | \$2,778       |
| Charges for services  |                                   | 10,627                          | 10,627        |
| Total Revenues  | \$2,778                           | \$10,627                        | \$13,405      |
| Expenditures  |                                   |                                 |               |
| Public safety   | \$                                | \$12,333                        | \$12,333      |
| Miscellaneous   |                                   |                                 |               |
| Total Expenditures  |                                   | 12,333                          | 12,333        |
| Excess (Deficiency) of Revs<br>over Expenditures  | \$2,778                           | (\$1,706)                       | \$1,072       |
| Other financing sources (use)-<br>Operating Transfers   | (2,778)                           | 1,706                           | (1,072)       |
| Excess (Deficiency) of<br>Revenues and Other Financing<br>Source Over Expenditures and<br>Other Financing Use |                                   |                                 |               |
| Fund balance 3/31/06  |                                   |                                 |               |
| <b>Fund balance 3/31/07</b>   | <b>\$</b>                         | <b>\$</b>                       | <b>\$</b>     |

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
NON-MAJOR FUND - LIQUOR FUND

Year ended March 31, 2007

Special Revenue Fund

|   | <b><u>BUDGETED AMOUNTS</u></b> |                     | <b><u>ACTUAL</u></b> | <b><u>VARIANCE</u></b> |
|---|--------------------------------|---------------------|----------------------|------------------------|
|   | <b><u>ORIGINAL</u></b>         | <b><u>FINAL</u></b> |                      |                        |
| <b>Revenues:</b>  |                                |                     |                      |                        |
| State Shared Revenues   | \$3,000                        | \$3,000             | \$2,778              | (\$222)                |
| Interest income   |                                |                     |                      |                        |
|   | <u>3,000</u>                   | <u>3,000</u>        | <u>2,778</u>         | <u>(222)</u>           |
| <b>Expenditures:</b>  |                                |                     |                      |                        |
| Enforcement costs   |                                |                     |                      |                        |
|   |                                |                     |                      |                        |
| Excess of Revenues over<br>(under) Expenditures                                     | 3,000                          | 3,000               | 2,778                | (222)                  |
| Other Financing Sources<br>(Uses):  |                                |                     |                      |                        |
| Operating transfers out   | <u>(3,000)</u>                 | <u>(3,000)</u>      | <u>(2,778)</u>       | <u>222</u>             |
| Excess of Revenues and Other<br>Sources over (under)<br>Expenditures and Other Uses |                                |                     |                      |                        |
| Fund Balance 3/31/2006  | <u>\$</u>                      | <u>\$</u>           | <u>\$</u>            | <u>\$</u>              |
| <b>FUND BALANCE 3/31/2007</b>   | <u><b>\$</b></u>               | <u><b>\$</b></u>    | <u><b>\$</b></u>     | <u><b>\$</b></u>       |

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
NON-MAJOR FUND-BUILDING INSPECTION FUND

Year ended March 31, 2007

Special Revenue Fund

|   | <u>BUDGETED AMOUNTS</u> |              | <u>ACTUAL</u> | <u>VARIANCE</u> |
|---|-------------------------|--------------|---------------|-----------------|
|   | <u>ORIGINAL</u>         | <u>FINAL</u> |               |                 |
| <b>Revenues:</b>  |                         |              |               |                 |
| Permit fees   | \$7,500                 | \$7,500      | \$10,627      | \$3,127         |
| Interest income   |                         |              |               |                 |
|   | <u>7,500</u>            | <u>7,500</u> | <u>10,627</u> | <u>3,127</u>    |
| <b>Expenditures:</b>  |                         |              |               |                 |
| Enforcement costs   | \$7,500                 | \$7,500      | \$12,333      | (\$4,833)       |
|   | <u>7,500</u>            | <u>7,500</u> | <u>12,333</u> | <u>(4,833)</u>  |
| Excess of Revenues over<br>(under) Expenditures                                     |                         |              | (1,706)       | (1,706)         |
| Other Financing Sources<br>(Uses):  |                         |              |               |                 |
| Operating transfers in (out)  |                         |              | <u>1,706</u>  | <u>1,706</u>    |
| Excess of Revenues and Other<br>Sources over (under)<br>Expenditures and Other Uses |                         |              |               |                 |
| Fund Balance 3/31/2006  | <u>\$</u>               | <u>\$</u>    | <u>\$</u>     | <u>\$</u>       |
| <b>FUND BALANCE 3/31/2007</b>   | <u>\$</u>               | <u>\$</u>    | <u>\$</u>     | <u>\$</u>       |

The accompanying notes are an integral part of the financial statements

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board  
Township of Marenisco  
Marenisco, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Marenisco as of and for the year ended March 31, 2007, which collectively comprise the Township of Marenisco basic financial statements and have issued our report thereon dated October 18, 2007. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Marenisco's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit, we considered the Township of Marenisco's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted several matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

Reportable conditions noted in our review are described as follows:

1. The Township did not reconcile their physical inventory to control records to ensure completeness and accuracy. Without an updated listing, the Township cannot monitor its holdings against various types of losses nor can procure adequate insurance coverage.

The Township should implement procedures to accomplish the final reconciliation of physical counts to the accounting records and schedule such reviews and analysis at least annually.

2. The Township Board understated the beginning Fund Balances in preparing their annual General Fund budget. This information may have influence the Board, as well as, the general public in determining funding priorities. Furthermore, no budget appeared to be adopted for the Special Revenue Fund, Fire Funds, as required. Also, our review noted cost overruns in various functional activities, which would have required the Board to amend their operating budget. Michigan Public Act 621 of 1978 provides guidance in preparing budget amendment in avoiding non-compliance.
3. A complete set of water, sewer and rubbish monthly billings reports were not retained for audit purposes. Such records would allow for verifying the allocating and accounting postings as to the monies being deposited into the Water Fund and then payable to other funds. Monies deposited into the Water Fund and payable to other funds, are being held for long periods of time, creating cash flows and inaccurate accounting records for the funds awaiting transfers.

The Township Treasurer should both allocate collections of water, sewer and rubbish billings and deposit those monies directly into the appropriate funds or to deposit into one account and create timely transfer of monies to the appropriate accounts.

4. The Township accounting records were not updated in reflecting adjusting journal entries identified in prior periods. Various cash accounts, receivables and payables balances remained unadjusted which required additional analysis at year end.

We recommend that current years adjusting entries be promptly made allowing for current years funds to be posted in a complete fashion. Furthermore, accounting records for the various funds should be reconciled to supporting bank accounts in allowing for an expedient audit.

5. Our review identified the following deficiencies.
  - In reviewing selected payments for adequate support, we identified that time sheets were lacking on part-time employees.
  - Payroll reports filed with the Internal Revenue Service were filed late, as well as, the payment of related taxes. The Township incurred and paid late filing, interest and penalties assessments as the result.



- Contributions to the Township pension plan are designed to be accomplished on a monthly basis, whereas, delays up to several months have been identified.
- Official Board Minutes are not being accumulated in a bound minute book upon acceptance nor are officially signed.
- The Township Board made a \$2,500 contribution to a baseball committee without having a written contract identifying specific beneficial service to the Township.

We recommend that the Township Clerk exercise greater care in the maintaining of adequate supporting records and the filing and payment of payroll liabilities on a timely basis. That all expenditures incurred and paid by the Township should be adequately supported and reviewed for legality. Official Board minutes should be maintained in a separate book and signed upon acceptance.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no other matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses except as described above items 1, 3 and 4.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.



Roger J. Kolehmainen PC  
Certified Public Accountant

October 18, 2007